MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DFA5014 – FINANCIAL ACCOUNTING 1

(All Sections/Groups)

6 MARCH 2020
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Twinkle Company has recorded the following transactions for the month of March 2019, the third month of operations.

March 3	Purchased equipment on account for RM4,000.
6	Billed customers RM6,000 for the service performed.
9	Purchased 2-year insurance policy for RM3,600. All paid in cash.
12	Received RM2,000 cash for the service performed.
15	The owner took RM500 from Twinkle Company to pay personal expenses.
18	Purchased supplies for cash RM250.
21	Paid RM400 cash for radio advertising.
22	Received RM3,000 cash for the service performed.
24	Received cash advance of RM1,500 from a customer for the service to be performed in April.
25	Purchased motor vehicle for RM70,000. The company paid RM7,000 cash and signed a note payable for RM63,000.
27	Billed customers RM5,000 for the service performed.
28	Paid salaries to the employees by cash amounted to RM4,500.
30	Received RM3,000 from the customer for the payment on account billed on 6 March.

Required

(a) Identify the basic steps in the recording process. (3 marks)

(b) List down all assets and liabilities items affected in the above transactions for March. (4.5 marks)

(c) Journalise the above transactions for Twinkle Company for March 2019. (13.5 marks)

(d) Open and post the related journal entries to the Account Receivable T-account. As at 1 March 2019, there is no beginning balance for the Account Receivable. What is the balance as at 31 March 2019? (4 marks)

(Total: 25 marks)

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QUESTION 2

Kinta Company provided the following trial balance for September.

Kinta Company
Trial Balance
30 September 2019

	Debit (RM)	Credit (RM)
Cash	12,600	
Supplies	700	
Prepaid insurance	500	
Equipment	17,000	
Accumulated depreciation-Equipment		300
Accounts payable		600
Unearned service revenue		2,000
Note payable		8,000
Mariana, capital		15,000
Service revenue		10,500
Rent expense	2,000	
Utilities expense	500	
Interest expense	100	
Salaries expense	3,000	
	RM36,400	**RM36,400**

The analysis of the accounts shows the following:

1. Prepaid insurance totaling RM125 has expired.
2. The equipment depreciates RM300 per month.
3. Service related to unearned service revenue in September worth RM700 were performed.
4. Interest of RM100 was still accrued for September.
5. Supplies used but unrecorded was RM50.
6. Service performed but unrecorded totaled RM400.

Required

(a) Based on the analysis of the accounts given in the question, determine the effect on the assets or liabilities if the company failed to make the adjustment. (6 marks)

(b) Prepare the adjusting entries based on the analysis given by the company. (6 marks)

(c) Prepare an adjusted trial balance at 30 September for Kinta Company. (10 marks)

(d) How do the companies recognise their revenues and expenses in accrual- and cash-basis accounting? Which basis is required under accounting standard? (3 marks)

(Total: 25 marks)

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QUESTION 3

Part A

The following accounts (after adjustment) of Salsa Services on 30 November 2019 are shown below.

Account title	Amount (RM)	Account title	Amount (RM)
Account receivables	3,000	Service revenue	15,800
Utilities expense	400	Depreciation expense	150
Accumulated depreciation- Equipment	900	Unearned service revenue	2,000
Cash	14,900	Account payables	6,500
Equipment	30,000	Salaries expense	3,500
Petrol expense	800	Owner's capital	30,000
Salaries payable	450	Repairs expense	750
Rent expense	700	Advertising expense	600
Owner's drawing	450	Supplies	300
Supplies expense	50	Insurance expense	50

Required

(a) Based on MFRS 101, state the objective of preparing the financial statements.
(2 marks)

(b) Prepare the Statement of Profit or Loss for the month ended 30 November 2019.
(7 marks)

(c) Prepare the Statement of Changes in Equity for the month ended 30 November 2019 assuming that there is no additional investment made by the owner during November.
(3 marks)

Part B

Some of the elements of financial statements defined in the Conceptual Framework are income and expenses.

Required

(a) Explain the term income and expenses as defined in the conceptual framework.
(4 marks)

(b) Why do the companies need to report their income and expenses to users?
(1 mark)

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Part C

Explain the following assumptions in financial reporting.

(i) Monetary unit assumption (2 marks)
(ii) Economic entity assumption (2 marks)
(iii) Time period assumption (2 marks)
(iv) Going concern assumption (2 marks)

(Total: 25 marks)

QUESTION 4

Part A

Mint Company has the following internal control procedures over cash disbursement.

(1) The bank statement is reconciled monthly by an internal auditor.
(2) Only the treasurer may sign the cheques.
(3) Company cheques are pre-numbered.
(4) Blank cheques are stored in the locked drawer.
(5) Cheque-signers are not allowed to record cash disbursement transactions.
(6) Each cheques must have approved invoice.

Required

Identify the internal control principle that is applicable to each procedure. (6 marks)

Part B

Helium Company uses a petty cash system. The fund was established on 1 April with a balance of RM300. During April, the following petty cash receipts were found in the petty cash box.

Date	Receipt number	Reason	Amount
April 3	PC001	Delivery expense	RM30
5	PC002	Travel expense	RM45
8	PC003	Miscellaneous expense	RM15
10	PC004	Entertainment expense	RM70
12	PC005	Delivery expense	RM20
14	PC006	Office supplies	RM60

The fund was replenished on 15 April when the fund contained RM60 in cash. On 28 April, the company increased the petty cash fund to RM400.

Continued...

Required

Journalise the entries on 1, 15 and 28 April that pertain in the operation of the petty cash fund.

(5 marks)

Part C

Bidara Company's bank statement for September 2019 showed a balance of RM7,000 at 30 September. The company's Cash account in the general ledger had a balance of RM6,650 at 30 September. Other information is as follows:

(1) The bank statement shows a debit memorandum for RM10 for cheque printing charges.

(2) Cash receipts for 29 September on the company's books were RM5,000 but this amount did not appear in the bank statement.

(3) Cheques still outstanding at 30 September amounted to RM2,700.

(4) On 20 September, the company issued cheque for RM620 to pay account payable. The cheque, which cleared the bank in September, was incorrectly journalised and posted by Bidara Company for RM600.

(5) The bank returned an NSF cheque from a customer for RM400.

(6) A RM3,000 note receivable was collected by the bank for Bidara Company on 30 September plus RM85 interest. The bank charged a collection fee of RM5. No interest was accrued on the note.

Required

(a) Prepare the bank reconciliation at 30 September 2019. (10 marks)

(b) Prepare the necessary adjusting entries for Bidara Company at 30 September. (4 marks)

(Total: 25 marks)

End of Paper